

**Avinashilingam Institute for Home Science and Higher Education for Women
(Deemed to be University) Coimbatore-641 043
Bachelor's Degree Examination – November - 2018
V - Semester**

Class : III UG

Major : Commerce/B.Com.,(CA)/B.Com.,(PA)

Time : 3 hours

Max. Marks : 100

15BCOC19/15BCCC19/15BCPC19 – FINANCIAL MANAGEMENT

Part-A

10 x 1=10

Choose the correct answer

1. The basic objective of financial management is -----
a) Maximisation of profits b) Maximisation of shareholder's wealth
c) Ensuring financial discipline in the organization d) Profit planning
2. Financial decision involve -----
a) Investment, financing and dividend decisions b) Management of cash
c) Raising of funds and their effective utilization d) Raising of funds
3. ----- refers to make-up of a firm's capitalization.
a) Capitalization b) Capital c) Finance d) Capital structure
4. Financial leverage is also known as -----
a) Operating leverage b) Balance leverage c) Trading on equity d) Trading on debt
5. The return after the pay off period is not considered in case of -----
a) Pay-back period b) Internal Rate of return c) Net present value d) Return on Investment
6. Depreciation is included in costs in case of -----
a) Discount method b) Pay-back period c) Accounting Rate of Return
d) Net present value
7. ----- is that portion of a firm's current assets which is financed by long-term funds.
a) Gross Working Capital b) Net Working Capital c) Funds d) Current assets
8. ----- is a trade-off between cost of carrying cash and the necessity of maintaining Liquidity.
a) Credit management b) Working capital management c) Cash management
d) Receivable Management
9. The policy concerning quantum of profits to be distributed as dividend is termed as -----
a) Cash dividend b) Dividend policy c) Stock dividend d) Constant dividend
10. According to ----- model, the dividend decision is irrelevant.
a) MM model b) Walter model c) Both A & B d) Markowitz theory

Part B

5 X 6=30

Answer the following

Answer should not exceed 400 words or two pages

11.a. Describe the various objectives of financial management.

(or)

11.b. What are the steps in financial planning?

12.a. What is over-capitalization?

(or)

12.b. A firm has sales of Rs. 10,00,000, variable cost of Rs. 7,00,000 and fixed costs of Rs. 2,00,000 and debt of Rs. 5,00,000 at 10% rate of interest. What are the operating and financial leverages?

13.a. What is capital budgeting?

(or)

13. b. A project costs Rs. 1,00,000 and yields an annual cash inflow of Rs. 20,000 for 8 years. Calculate its pay-back period.

14.a. Explain the concept of working capital.

(or)

14.b. You are required to calculate optimum cash balance.

Particulars	Amount (Rs.)
Monthly cash requirements	Rs. 60,000
Fixed cost per transaction	Rs. 10
Interest rate on marketable securities	6% p.a

15.a. Explain the MM's irrelevance theory of dividend with its assumptions.

(or)

15.b. Calculate the market price of ABC under Walter Model:

EPS = Rs.4

DPS = Rs.2.5

Cost of capital = 16%

IRR = 18 %

Part C

5 x 12=60

Answer the following

Answer should not exceed 800 words or four pages

16. a. Narrate the nature of financial management.

(or)

16. b. Describe the Functions of financial manager.

17. a. A firm has sales of Rs. 10,00,000, variable cost of Rs. 7,00,000 and fixed costs of Rs. 2,00,000 and debt of Rs. 5,00,000 at 10% rate of interest. What are the operating, financial leverages and Combined leverages?

(or)

17. b. Explain the forms of capital.

18.a. Narrate the methods of Capital Budgeting.

(or)

18. b. Given the time value money as 10% (i.e., the discounting factor). You are required to find out the present value of future cash inflows that will be received over next four years.

Year	Cash flows (Rs.)
1	1,000
2	2,000
3	3,000
4	4,000

Discount in factor values for 4 years @ 10% : 1) .909 2) .826 3) .751 d) .683

19. a. What are the determinants of working capital?

(or)

19. b. Tirupati Limited has a plant to manufacture LPG cylinders. The total cash operating expenses for the last year were Rs. 2,500 lakh. These expenses include the cash expenses of 35% as well as those for goods 65%. Average operating cycle period for different elements are as follows:

S.No	Particulars	Days
1	Average credit period to customers	90
2	Average credit period from suppliers	60
3	Raw materials holding period	120
4	Work in progress cycle	10
5	Finished goods holding period	75

Find out the net operating cycle. Make an estimate of working capital requirement for goods as well as for other expenses. What is the ratio of working capital requirement to total cash operating expenses during the year?

20.a. Explain the theories of divided.

(or)

20. b. A Ltd., has currently 1, 00,000 shares of Rs.100 each. The firm wants to declare a dividend of Rs.4 per share at the end of the current financial year. The Capitalization rate for the risk class to which this firm belongs to 10%. What will be the price of a share the year-end if (a) a dividend is declared, (b) if a dividend is not declared? Assuming that the firm pays the dividend, has a net profit of Rs. 6, 00,000 and makes new investments of Rs. 10, 00,000 during the period, how many new shares must be issued? Use MM model to answer these questions.
